TOTAL QUALITY MANAGEMENT AND COMMERCIAL BANK'S FINANCIAL PERFORMANCE IN KENYA

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DECLARATION

I, the undersigned, declare that this is my original work and that it has not been submitted for a degree in this or any university for examination.

Signed: …………………….. Date ………………….

Omolo Bablien Arwa

REG NO: D61/67861/2013

This proposal has been presented for examination with my approval as the appointed supervisor

Signed: ………………………… Date …………………..

Mrs. Zipporah Kiruthu

Supervisor

DEDICATION

To my wife Madam Jael A ,cousin Eldady, daughter Cyndi and son Ian.

ACKNOWLEDGEMENT

This project was researched and written over a period of time during which many developments took place. Maintaining a sense of these developments has involved extensive reading and ongoing dialogue with several key people whom I wish to thank for their professional generosity and input.

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To my Family and friends who have given me both intellectual and emotional support, I offer my utmost gratitude. Members of my family my wife Jeal A.M. thanks to my children Ian and Cyndi, to my friends Eldady, Adeka Asher and Ochwata who have been very instrumental throughout the MBA program. I acknowledge your time and efforts with gratitude. I wish you prosperity in your undertakings.

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ABSTRACT

The overall goal of any business entity is to have the needs of customers satisfied. This they do by offering quality products. It is imperative that within an organization, all internal customers are satisfied to ensure complete satisfaction of external customers. Total Quality Management is the most currently used means of management that aim at meeting organizational and customer needs. The study mainly seeks to find out the major influence that concept of total quality has on the management of Kenyan commercial banks. The study is meant to specifically identify the objectives and evaluating the relationship that exists between the financial performance of commercially run banks in Kenya and the practice of Total Quality Management, to establish the hurdles faced by these banks in the implementation of TQM, to find ways to best deal with these challenges and to improve the quality of customer service by employees through TQM practices. The study was carried out through sensors and the target respondents in this study were drawn from internal and external customers, departmental managers, secretaries, and support staff of the various commercial banks in Kenya. Both structured and unstructured questionnaires with closed and open-ended questions shall be used intensively to gather relevant data that will be used in this study. Different questions were used to give the respondents a wide variety and allow room for self –as to answer the objectives in question as exhaustively as it was established in the study by the SPSS tool for quantitative variables while qualitative respondents have been analyzed by means of descriptive narratives. The researcher then was able to arrive at a conclusion and to make his recommendations about the entire study that the commercial banks has a neutral perception with respect total quality management as well as Kenya's financial performance. This study makes a recommendation that the management of commercials banks should put in place fundamental total quality management policies and plans to ensure that total quality management practices are instituted. Management should also develop a new modern framework that can enable them cope with the tough challenges (technology and competition) in the market in provision of their services.

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CHAPTER ONE

INTRODUCTION

1.1 The Background of Study

Total quality management theory has become more familiar since the 1980s where the banking industry offers services of varying qualities. When an entity is structure with a culture of offering quality goods or services to its customers which satisfy their desired standards, then such an entity is observing Total Quality. The practice demands quality in all dimensions of the company's undertakings with things done as desired from the onset and any wastage and spoilages being kept to the very minimum during routine business (Stock and Mulki, 2009). For almost all organizations, rapid developments in the business environment such as globalization have made them to adopt a spirit of completion and innovation so as to be able to meet the equally changing customer needs and expectations. In order to compete effectively, it has become essential for businesses to constantly improve on the quality of their products and services by marketing, product differentiation and cost reduction (Chang and Huang, 2005).

Banking institutions have managed to demonstrate exemplary performance and also improved their results regardless of stiff competition for a piece of the market. TQM have been introduced into the market as a result of raising competition. The commercial banks managed to remain very stable, the deposits and assets of shareholders increased by 35.35% and 32.9% respectively (Central Bank of Kenya, 2010).There are a number of management styles applied in organizations in order to achieve goals, set objectives and targets of their business.

1.1.1 Total Quality Management

TQM is simply the adherence to specifications of goods and services. Moreover, its' defined as prevention of problems through planned and systematic activities (Oakland, 2003). Unfortunately, general guidelines are used by numerous companies hence leading to the failure to address peculiar matters of specific services in the systems of banking. Banking system practices calls for similar and globally accepted approaches towards identifying limitations of specific service and planning process and strategies. According to (Krugler, 2007), TQM practice is a culture that universally applicable to all forms of business of varying backgrounds. According to Ogada, (2012) TQM primarily entails a change in an organization' technology, cultures, functions, values and ways of operations including decision making processes and strategies.

Total Quality Management works towards achieving clear short and long term mission, vision and strategies for the organization under the guidance of strong leadership (Juse, 2007). It also strives to achieve the implementation of its values, concepts and operational methods that are scientific. TQM highly values employees and information as critical structures in an organization. According to (Kruger, 2007), TQM takes account of the interest of all stakeholders of an organization including; suppliers, employees and customers. This is ensured through application of efficient management systems, safety in management systems and use of efficient technology.

1.1.2 Financial Performance

Mahajan (2012), studied the impact of TQM on financial performance where they established a strong causality relationship between performance and quality ratings. By practicing TQM, the company rating steadily improved over time (Hernant, 2009).

Relationship between TQM and financial performance therefore creates a positive image to the customers and other stakeholders on quality goods and services offered by a particular firm. This helps in building confidence and trust on the quality of goods offered by a firm leading to increased customer satisfaction Performance measures provide framework composed of thirteen core values mainly; customer orientation, committed leadership, responsiveness, cooperation, pro-activeness, decision based on facts, benchmarking, continuous improvement, and education and training. Kaplan and Norton, (2012) established three principles about quality management, which are; management of workers, orientation of processes and orientation of customers.

The research on TQM practice in Kenyan Commercial banks looks to make a unique contribution to the existing body of quality literature by addressing Total Quality Management practices from a different environmental set up, namely: by advancing on the Seraph et al (2009) critical eight “factors” of QM practices and their influence in the financial performance.

1.1.3 Commercial Banks in Kenya

The Kenyan banking sector is comprised of both public and private organizations comprising of Central bank, National bank and Commercial banks of Kenya. Private banking organizations are manly owned and controlled by single individuals, companies or Partners. Private banking organizations seem to offer competitive services compared to the public counterparts. The two categories of banking systems providers provide services at designated regions, with the Ministry of Finance and Central bank being an umbrella body and regulator of the industry (GOK, 2013).

There were only two are mortgage and non-banking institutions out of a total of 42 financial institutions. Only 35 of this had local ownership with a majority state shareholding. The rest were foreign owned (Okatch, 2009). Additionally, government tend to be involved in setting interest rates on loans and deposits which means that small banks are competed out as they become less profitable and more inefficient.

1.2 The Statement of the Problem

TQM ha for a long time been practice oriented and the audience is mostly managers and practitioners rather than managerial theorists. The fundamental assumptions of the rationale behind Total Quality Management are; investments on the improvement of quality always has its benefits outweighing the costs of producing sub-standard quality, when given training and tools of work, will by nature seek to produce desired quality, cooperation between different departments of the organization is necessary for the sake of superior quality and that the overall responsibility for sits with senior management (Hackman & Wageman, 2013).

Empirical studies carried out by Moghimi and Anvari (2014) to determine the correlation between TQM and financial performance of 40 Iranian cement companies, a descriptive survey was conducted on the impact of TQM on performance of Financial Institutions.

A sample of 25 cement companies was conducted where both qualitative and quantitative data were employed. Descriptive statistics method of data analysis was applied.

Studies carried out by Hackman and Wageman (2013) and Moghimi and Anvari (2014) in Kenya have been established to create efforts to improve quality in financial firms; this is aimed at achieving products that meet the standard demands of customers. Despite the measures put in place to ensure implementation of total quality management, some financial firms have faced various challenges making it difficult for them to reap the benefits of total quality management. A study by Kamau (2013) concluded that total quality management led to the introduction efficient production processes, creation of new products, sales increase and hence extension of markets studies regarding especially in education and financial sectors.

Kipkelion (2013) reached a conclusion that financial performance to a large extend determined by the practice of quality management at 75.5%. From the study, specific QM practices were noted to have an impact on an entities' operational performance. These alleged failures have been observed even when the Government of Kenya has been on the fore front in enforcing performance contracting and services effectively and efficiently. Commercial banks in Kenya therefore have no choice but to embrace total quality management practices in delivery of services effectively and efficiently. It is by this concept that the bank can become competitive within the banking niche of the country.

1.3 The Objectives of Research

1.3.1 The Main Objectives

To identify the impact of the Total Quality Management concept on the entire operations of commercial banks in Kenya .

1.3.2 The Specific Objective

(i) To identify the relationship between TQM and the performance in the finances of banks running commercially in Kenya.

(ii) To establish hurdles encountered by commercial banks in implementing total quality management by commercially run Kenyan banks.

1.4 The Value of the Study

The results of the study will be so relevant to commercial banks of Kenya since it will provide clarity on the usefulness of implementing quality management practices in financial institution firms to realize better financial results in enterprises.

Financial institutions in Kenya and other policy makers will also become beneficiaries of this study as the outcome of the research will lead to the policy formulation which ensures that financial firms conforms to the provision of quality practices, quality services and improvement of the organization’s financial performances.

Theoretically the findings of this research will elaborate more on a number of QM practices that firms have taken up. The study will also open up room for reference and further research in future.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter revisits theories that explain the theories related to strategic managements. It also looks at empirical literature on similar studies done in the past by various researchers. The chapter specifically focuses on past studies related to (TQM) and its on financial performance.

2.2 Theoretical Review

Ramos-Rodríguez and Ruíz-Navarro (2004) categorized TQM theory into three classes of strategic management namely sociological, economical and psychological. They established that under the economic discipline lies the transaction costs, agency and resource based theories. On the other hand, under sociological discipline there lies the organizational ecology, contingency and resource dependent theories.

2.2.1 Knowledge-based Theory

Knowledge is considered knowledge as the most critical firm resource. Its proponents argue that knowledge is a unique commodity hence hard to duplicate. The knowledge and capabilities in a firm are what a firm would use to create its competitive edge hence setting it apart from the rest hence proving them a niche above the rest. The knowledge an organization has is always exhibited in its cultures and identities, policy documents, systems and practiced by employees (Barney and Conner, 2012).

Markets and technologies represent two aspects of knowledge that a firm could have. They exhibit great performance opportunities as they allow for research and development within the firm, while on the other end extrapolate the business potential of the organization in the changing business climate. With this, the firm can know best which type of actions to take in order to operate competitively and create opportunities (Brown, 2007).

2.2.2 The Contingency Theory

The contingency theory attempts to relate organizational performance to many management variables and emphasizes the importance of situational influences on the management of organizations. The theory observe that the very constraints and opportunities that a business can encounter arise from the very environments they transact in (Khandwalla, 1977). Contingency theory has been used to examine multiple relationships among variables and is therefore appropriate to study the relationships between financial literacy, financial access, transaction costs and microenterprise performance. The two main concepts that help in the understanding of the market are customer behavior, competitions and cross-functional coordination within the firm (Narver and Slater, 2011). The rest include generation of information, its sharing and market, Kohli and Jaworski (2011).

2.2.3 Transaction Cost Theory

Transaction costs are the costs that reflect the organizations' economic status both within and outside hence are a means by which operational efficiencies of a firm can be properly designed to achieve better outcomes, (Polskiet al, 2001).

Any company has the capacity to grow provided its activities are economically undertaken, Ronald Coase (1937). One of the ways of effectively keeping this costs low is ensuring total quality management in the market. The determinants above will all likely lead to increase quality management, therefore it may become expensive for a company to regulate these factors. Therefore, it may be more economical to maintain quality management, so that the company does not misuse resources while ,when in contracts with suppliers, meetings, supervision etc.

2.3 Total Quality Management

According to Ross (2005), TQM means picturing quality in terms of the overall operations of the enterprise, i.e a production process that integrates functions at all levels. TQM approach thus ensures that the sum of combined effectiveness and efficiency is more than that of individual operations in the system. This in essence means that management is seen as a small part of the whole production process. Management system then requires synchronization of processes by focusing on quality tools, satisfaction and improvement of the employee production skills.

Based on the above information, author chose to focus on the customer, technology used, complete involvement and service innovation as the key practices in TQM implementation.

The below figure shows the 7 TQM practices.

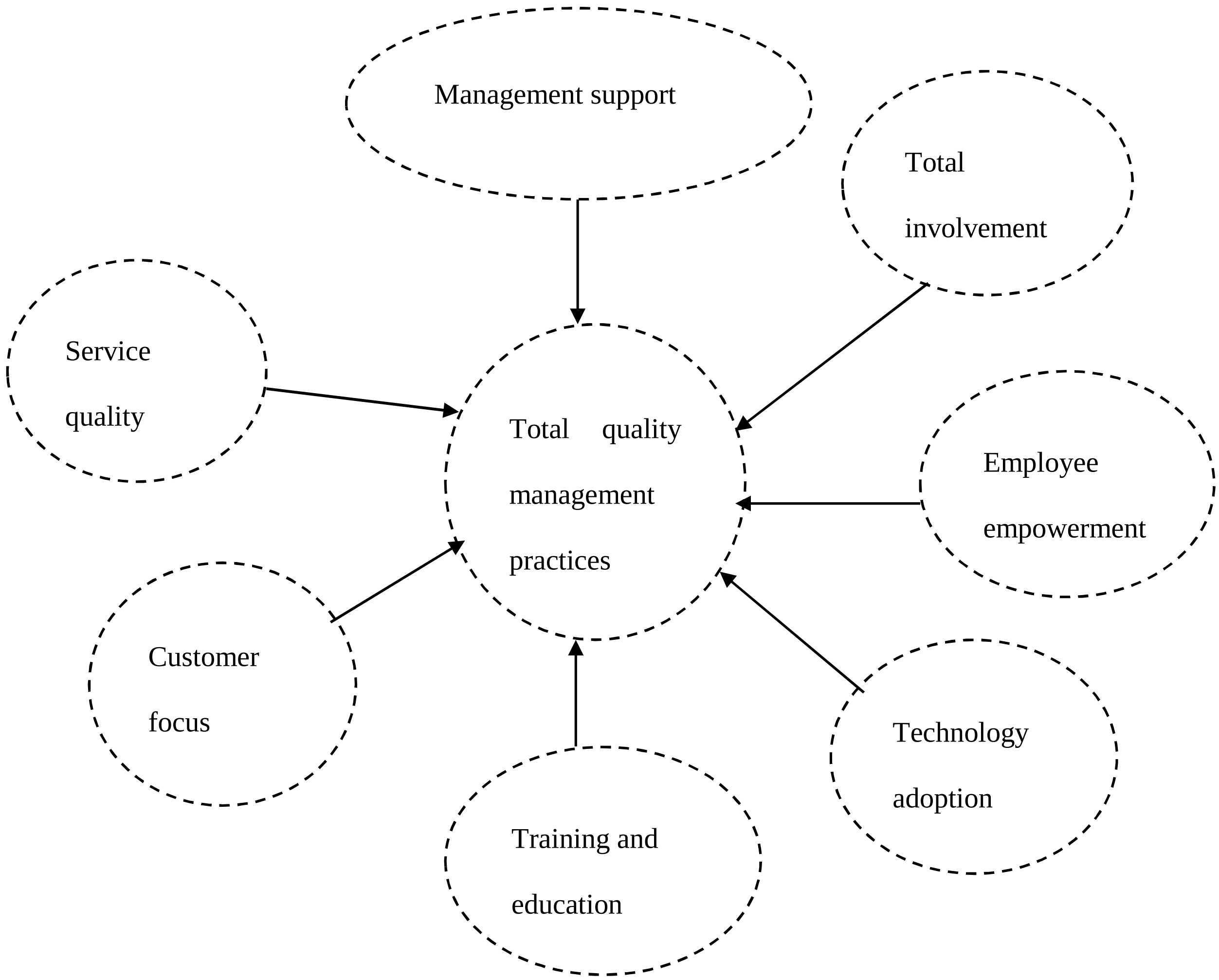


Figure 2.1: Total quality management practices

2.3.1 Customer Focus

According to (Mitchell, 2013), market innovation entails the improvement of market target mix and how the needs in this markets are satisfied in an effort to enhance market potential and develop new ways of serving or operating in the target markets. Market leaders who are skillful are quick to note the unique behaviors of customers such as their buying trends and will establish their preferences. In order to satisfy such preferences, the firm will then need to segment this customers and differentiate product so as to satisfy these customers as closely as possible.

In order to for a business to acquire characteristics that give it an edge over its competitors, research on behaviors and attitudes that derive continuous better performance hence better service to the, (Narver and Slater, 2011). Hult, et al (2004) subsequently established that converting market knowledge into practice in the planning and decision making process will follow automatically. Similarly, cross-functional coordination is defined as the organized utilization of company resources in an operationally competent manner rather than being competent in the market, (Narver, et al. 2011).

2.3.2 Technology Adoption

Remarkable changes have come about due to the innovation that has happened in the information technology. This has in turn has brought about changes in the demands patterns in the society. With this effects, there an increasing need to involve ICT in passing on skills in the 21st century, because its adoption has reformed health, education and other key systems. Additionally, this changes have brought about the adoption of new methods of production hence educating people new skills on various areas so as to raise productivity. (Tomei, 2005).

Pelgrum, et al (2003) established that the term IT was replaced by computers at the close of moving a focus from computing technology to information storage and retrieval. This resulted from the introduction of ICT to the general public in the early 1990s, (Pelgrum and Law, 2003). According to a United Nations (1999) 'ICT' includes provision of internet services, IT equipment, telecommunications tools and many other specific ones.

2.3.3 Total Involvement

Total involvement management states that top management commitment is critical for creation and sustainment of an efficient QM system that brings about gains to interested parties and increases customer satisfaction. The documentation system has to undergo periodic review to ensure ongoing maintenance of the system. Total involvement brings about Operations competency which basically is how management anticipate work procedures to happen.

The practice of quality of devolving business functions and processes is defined as 'process, (Cumming, 1998). This type of creativity is not simple although its use is currently properly conceptualized. It is a rather tasking and technical innovation however; its purpose is now well understood. With continues strive to improve products over time, productions at lower costs is attained, but such benefits do not automatically pass on as affordable prices. This process is key in the supply and products and the offer of business support, (Johne and Storey, 1998).

2.3.4 Service Quality Innovation

Service quality (SQ) has emerged as an area of interest in the research literature, although there is no emerging consensus in defining it and measuring it, Wisniewwski (2001). Service Quality has attracted a number of definitions, one being the extent to which the expectations a clients are met, (Lewis et al, 2013). SERVQUAL model has become a widely acknowledged SQ concept by the researchers and TQF are some of the most widely acceptable and used quality, Gronroos (2013).

2.4 Financial Performance Measurements

Within the performance indicators and tracks of the ability of commercial banks, Return on Assets is also a component. This means that the ability of these banks to produce more income is generally dependent on its assets ownership, and that income other than operating ones and donations are excluded from the bracket of these assets. Return on Assets gives a wider scope of measure compared those other that the banks use to measure the performances of their core activities such as loans and incomes from operating activities. As a reflection of profit margins, ROA has an expected positive sign, losses are expected.

ROE = After-tax profits Starting (or period-average) equity

The study will use the Return on equity as an appropriate measure for the study.

2.5 Total Quality Management and Financial Performance

QM is a combination of techniques, practices and principles. Dean, et al (2014) also established most literature on quality are based on three principles: focus of customer, continued improvement as well as teams. Dahigaard et al (2012) management of commitment, total focus on the customers as well as employee, focusing on facts, continuous perfection and everybody participation are the main five principles of quality management.

Davenport (2013) defines process management as involving planning, direction setting, monitoring, decision making and communication with respect to a firm’s key operational process and assets. Examples of process management in firms include: formulation of strategy, budgeting and planning, measurement of performance and reporting, resource allocation, and human resource management. These are not the only activities of managers but they are the most structured and thus mostly likely to be conducted within a process setting.

2.6 Empirical Studies

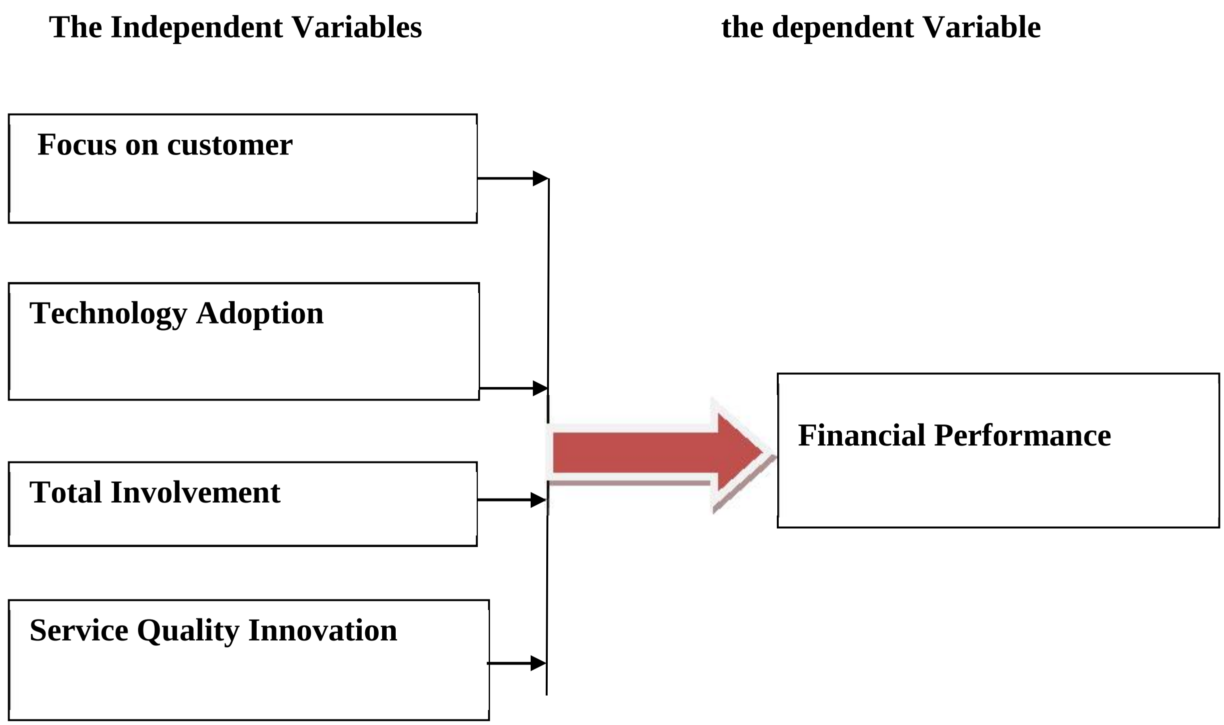
Table 2.1: Empirical literature

Author	**Study**	**Findings**	**Gap**
Zakuan et al. (2012)	Important successful factors total quality management implementation in the institutions of higher learning	The success of the institutions totally depends on the quality management strategy on how it identifies the information, classifies it, analyzes, and reacts to the complete change in quality requirements.	Does not take into account the influence of TQM implementation on performance
Sharp et al. (2000)	A research on factors that affect total and successful implementation of ISO 9001: 2000	Inventing the management strategy as one of the important factors in the full implementation of quality systems.	Looks at TQM implementation and not the practices
Baidoun (2003)	A research on the crucial factors of Total Quality Management the in Palestinian organizations	The study also found out the top management commitment and its involvement	The study did not take into account all the TQM practices

2.7 Conceptual Framework

The conceptual model in figure.2 will be employed by this study to clearly explain the impact of QM practices on the financial results of Kenya's commercial banks.

Figure 2.2: Conceptual Framework



Source: Researcher 2016

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter specifically provides an explanation of the method that will be used in conducting the research. This chapter is organized into the design of the research, target population selection process, the sampling techniques to be employed, description data collection instruments and methods, and finally the process of analyzing the data.

3.2 Research Design

Descriptive survey will be used to conduct this study. This type of study attempts to define and describe a subject by creating a problem profile, events or population by collecting data and tabulating their frequencies or interaction, (Mugenda and Mugenda, 2009). The study is aimed at collecting data from respondents on their opinions in relation to the effect of TQM on financial performance of commercial banks. The description design will be advantageous as it not only enables the researcher carry out fact provision and identification but also enables the coming up with crucial principles of solutions and knowledge to the study problems. This method involves measurement, classification, analysis, and interpretation of data as relates to all the commercial banks in Kenya.

3.3 The Population Targeted

Researcher focuses on commercial banks operating in Kenya. There are 42 banks currently operating in Kenya commercially, from which data the desired data will be collected by census given their number. This is because they are in charge of quality management, strategy formulation and are in good state of providing the needed information.

3.4 Data Collection

Semi-structured questionnaire will be used to conduct the survey for the reason that they are convenient to apply on the business development managers of these banks. The questionnaire will be circulated by the researcher and the assistants and collected after a given time frame. The researcher and their assistants will also employ direct observations of relevant indicators while conducting the study.

3.5 Data Analysis

Data analysis will involve extracting desired variables, searching and cleaning any errors and testing any underlying hypothesis. Analysis on collected data will be by use of descriptive statistics. The data analysis will be done and presented using tables as basic data presentation techniques that will be based on study findings. After collection the data will be processed to eliminate unwanted and unusable data.

A joint regression analysis will be conducted so as to establish how the dependent variable financial performance relates to the independent variables. The researcher will apply the regression model to elucidate the strength of independent variables; customer focus, technology adoption, Total involvement, Service quality innovation influence on the dependent variable; financial performance. The regression equations will be in the form:

$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$

Y= is the performance in finance as measured by ROA

α = represent the model Constant (intercept)

$\beta_1 \ldots \beta_4$ = regression coefficient which measures unit changes included in Y for each unit change in X variables

X_1 = Customer Focus,

X_2 = Technology adoption,

X_3 = Total involvement,

X_4 = Service Quality Innovation

ε = Error term.

Table 3.1: Summary of data analyzed

Objectives	**The Section of the questionnaires**	**Data analysis methodology**
Assessing the relationship between TQM and performance of Kenya's commercial banks	B	The Mean, standard deviation(Descriptive analysis) regression and correlation analysis to establish the relationships (Inferences and statistics)
To assess and establish the challenges faced by commercial banks of Kenya in implementation of total TQM	C	Qualitative and Content analysis

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

In this study section, data analysis, results interpretation and discussions of the researched data obtained from the study desk and questionnaires survey will be done. The chapter is divided into the analysis of the general response from the respondents and a final one which analyses the data on the objectives based on inference and descriptive statistics.

4.2 Questionnaire Response Rate

The study target 84 respondents Commercial Bank in Kenya. Questionnaires were sent to 84 respondents drawn from various cadres (business development managers, quality assurance or equivalent of commercial banks in Kenya) who are perceived to be actively in charge of quality management, strategy formulation and are in good stead of providing the needed information. Out of 84 questionnaires administered, 74 were completed representing a response rate 88.10%. This response is hence qualified for analysis. As per Awino (2011), the rate of response of around 66 percent is very acceptable for such studies. Table 4.1 shows the rate of response.

Table 4.1: Response Rate

Categories of Clients	Questionnaires administered	Questionnaires filled & returned	Percentage
Top management staff	20	16	80.00
Middle level management staff	30	27	90.00
Subordinate staff	34	31	91.18
Total	84	74	88.10

Source: Researcher, (2016)

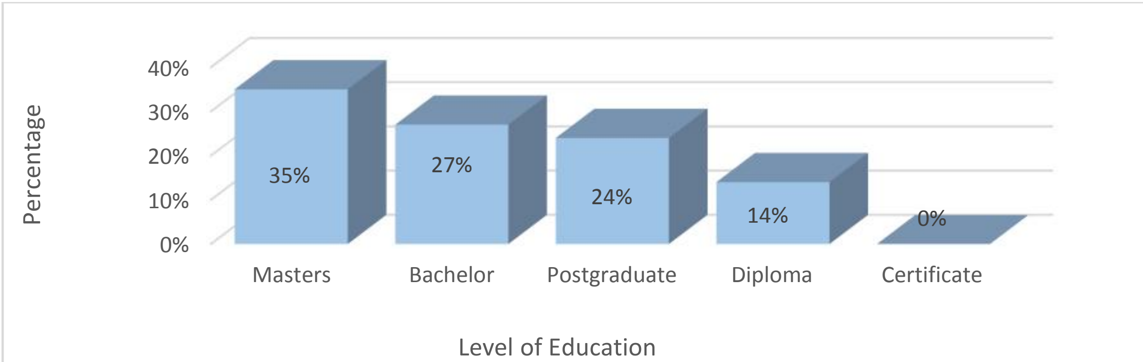
4.3 Demographic Information

The demographic data seeks to establish the general information of the respondents. From the questionnaire, the following demographic statistics were established, level of education length of continuous service and. They are explained in the subsections below.

4.3.1 Level of Education

The study results revealed that 35% of the respondents had acquired a master's degree, while 27% had acquired bachelor's degree or undergraduate another 24% of the respondents had acquired a PhD. It was further established that 14% of the respondents had had diploma education. The results concluded that the responses were satisfactory enough because the selected respondents had attained at least an undergraduate certificate hence understood the need of the research.

Figure 4.1: Level of education

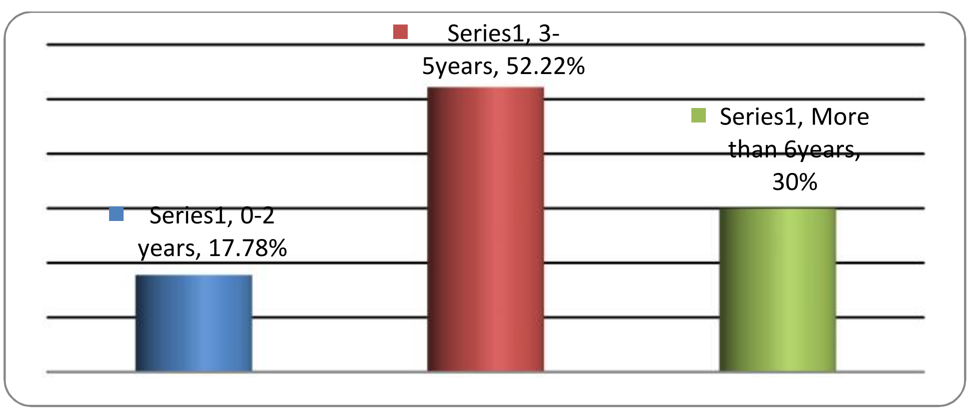


Source: Researcher, (2016)

4.3.2 Number of Employee's Years Served in the Bank

The study basically sought to establish the respondents years of experience in Commercial Banks in Kenya. According to the analysis of findings, majority (52.22%) of the respondents had 3 to 5 years working experience in the company followed by 30% who had been working for a period of more than 7years. It was also noted that 17.78% of the respondents had worked for 0-2years. Figure 4.2 shows the summary of the findings.

Figure 4.2: Number of Years Served in the Bank

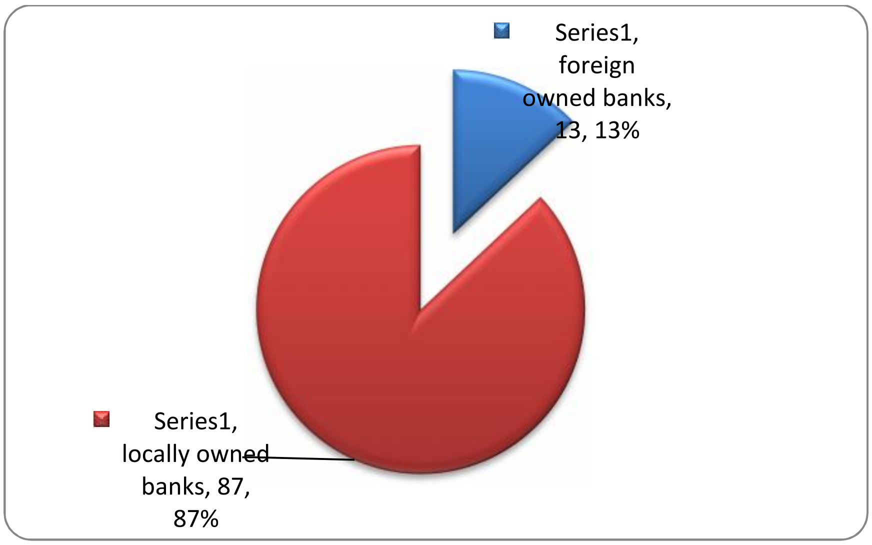


Source: Researcher, (2016)

4.3.3 Banks Ownership

The study further sought to establish ownership of commercials banks in Kenya. It was established that 87% of the banks were locally owned while 13% of the banks were majorly owned by foreign investors as evidenced in the figure 4.3.

Figure 4.3: Banks ownership



Source: Researcher, (2016)

4.4 Total Quality Management Used by Commercial Banks in Kenya

In order that an organization attains competitive edge, the most desirable strategy is to use is Total Quality Management (TQM). It enhances the quality of product and service delivery and hence enables the company to compete globally. The research therefore needed the say the extent to which they were in agreement with statements in table 4.2.

Table 4.2: Customer focus

Customer focus	M	SD
The Bank work towards improving every facet of the firm.	4.32	0.4345
The Bank produce goods at zero defects	4.15	0.2253
The Bank is able to achieve 100% customer satisfaction.	3.25	0.7984
The Bank observes quality improvement at all levels.	4.49	0.2621
The Bank has create a quality team	3.87	0.4232

The analysis in table 4.2 shows that the respondents strongly agree that commercial bank in Kenya observes quality improvement at all levels. This response scored a high mean of (4.49). A small standard deviation of 0.2621was noted after the analysis indicating high cohesion amongst the response collected. It was also noted that commercial banks in Kenya works towards improving every facet of the firm, with a mean of 4.32 implying that majority of the respondents had strongly agreed with that statement. A small standard deviation of approximately 0.4345 demonstrates that there was similarity in the responses made by the respondents. The respondents also unanimously agreed that the bank to produce goods at absolutely zero defection as shown by a mean of 4.14 and small standard deviation of 0.2553 which means that the responses were uniform. Moreover, the respondents maintained a neutral stand that Banks were able to achieve 100% customer satisfaction as represented by the total mean of 3.35 and an averagely high standard deviation of 0.7964 summarizing that the responses had greater variation. In addition the respondents agreed that commercial banks had created a quality team as shown by calculated mean of 3.87and standard deviation of 0.4232.

Table 4.3: Technology Adoption

Technology Adoption	**M**	**SD**
The Bank eliminate waste	4.57	0.2100
The Bank reduce stock out costs	4.33	0.3248
The Bank creates a positive image to customers and other stakeholders	3.98	0.1379
The Bank work towards producing quality goods and services	4.79	0.1097

The findings in table 4.3 above, shows that most respondents strongly agreed that commercials banks work towards producing quality goods and services. This inference was actually realized by mean computed in SPSS analysis that was approximately 4.79. Then the standard deviation computed of 0.1097 showed an insignificant variance from the people who responded. Therefore, It was established from the analysis that most respondents also strongly agreed Bank eliminates waste. This therefore was established to be true by the mean calculated of 4.57 and the standard deviation of 0.2100 which was actually less than 0.5 showing how uniform the responses was from the most of the respondents. The study also noted that majority of the respondents agreed that the Bank reduce stock out costs. This inference was deduced from the mean calculated in the SPSS analysis of 4.33. The small standard deviation of 0.3248 indicated uniformity in the responses from the respondents. The study also discovered that commercial banks creates a positive image to customers and other stakeholders as shown by a mean of 3.98 which implies that the respondents agreed to the statement. A calculated standard deviation of 0.1379 indicated uniformity of the responses made.

4.5 Total Involvement

The study further sought to establish the extent of total involvement in the Kenya's commercial banks. The respondents' were provided with statement to rate in a likert scale Whereby 1 stood for Not at all, 2 meant Less extent, 3 showed Moderate Extent, 4 Great extent and 5 was Very Great extent).the findings were illustrated in table 4.4.

Table 4.4: Extent of total Involvement

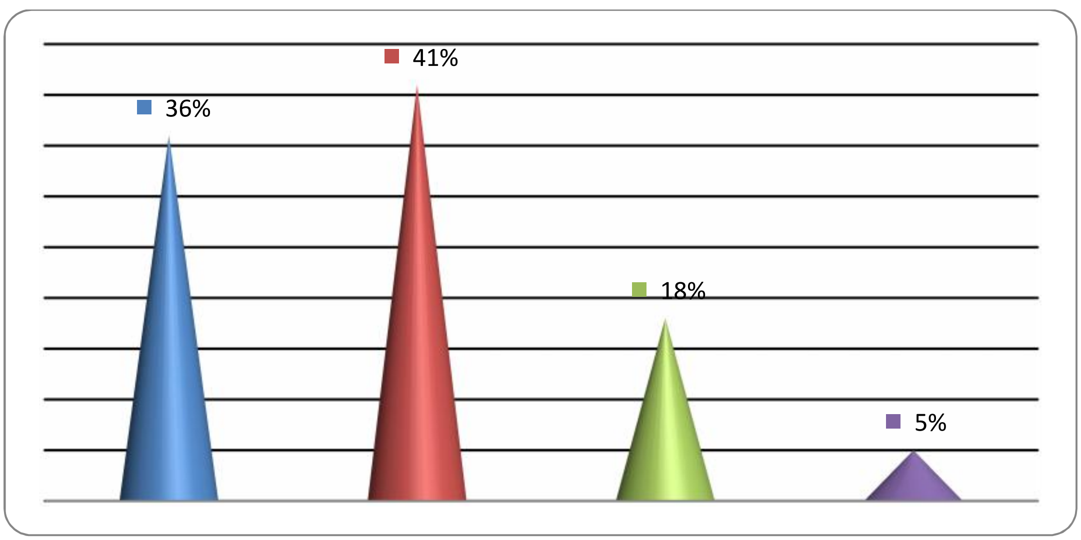
Statement	M	SD
Involvement of Government during it fiscal policy formulation	4.5795	.4530
Improved credit information during loan application	3.6951	.89841
The lending interest rates are a declining	2.2054	.75688
Increased training of loans officials	4.0102	0.0911
There is an increase in the use of the CRB	3.5214	0.36084
Banks share information about their borrowers	3.0714	1.56786

The findings indicate that the banks involved the government during it fiscal policy formulation as evidenced by high total mean of 4.5795 as well as the total standard deviation of 0.4530. In addition the most of the respondents also have shown that banks have increased training of loans officials' great extent as evidenced by a high mean totaling to 4.0102 and a small standard deviation coming to 0.0911which implies that there was homogeneity in responses made. It was also noted that banks have reduced interest / Lending rates to a low extent as represented by the above total mean of 2.2054 and above total high standard deviation of 0.75688. In addition some of the respondents indicated that banks have increased use of credit reference bureaus to a moderate extent as shown by means of 3.5214 and a small standard deviation of 0.36084 which indicate similarity in responses made by the respondents.

4.6 Service Quality Innovation

The study also sought to establish whether the bank had adopted the use of Service Quality Innovation. The findings were as shown below.

Figure 4.4: Service Quality Innovation



The findings in the figure indicate that most of the respondents 41% mentioned that banks have adopted service quality innovation to a very overwhelming extent. While another 36% of the people who responded pointed explained that, banks have adopted service quality innovation to a very great extent. Furthermore other respondents 18% cited that banks have adopted service quality innovation to a cumulate extent. However 5% said that banks have adopted service quality to a low extent. The findings agrees with (Feng et al, 2006) who says that market place of today's, firms must focus on improvement of quality and innovation.

Table 4.5: Financial performance

Year	**2013**	**2014**	**2015**
Less than Zero	7.1	2.4	4.8
0-250 Million	33.3	28.6	28.6
250-500 Million	19.0	26.2	21.4
Above 500 Million	40.5	42.9	45.2
Total	**100.0**	**100.0**	**100.0**

Most of the people 45.2% said that banks made over 500 million net profit after tax in the year 2015. It was also clear that from the year 2013 to 2015 most banks also registered above 500 million net profits after tax. A few banks posted losses in the period between 2013 to 2015 as indicated by a low proportion of respondents 4.8% in 2015.

4.7 Inferential Statistics

A discussion of the results and inferences are done in this chapter. The strength that exist between the variables was tested through conduction a correlation analysis test where the results established a great significance of each of the variables on the financial performance of the Banks.

4.7.1 Correlation Analysis

Pearson correlation coefficient was applied majorly to determine the level of strength of a linear association between the two variables as denoted by r. The coefficient of values ranges from +1 to -1. A value of 0 implies that there is no association between the two variables, while values greater than 0 means that there is a positive association. A value that is less than 0 shows a negative association, simplifying the inverse relationship between variables.

Table 4.6: Correlation Analysis

	Customer focus	Technology Adoption	Total Involvement Service	Quality Innovation	Performance
Customer focus	1				
Technology Adoption	0.8443	1			
Total Involvement Service	0.8117	0.7671	1		
Quality Innovation	0.7612	0.7860	0.7464	1	
Performance	0.7633	0.8932	0.7432	0.8943	1

The results in Table above, indicate that all the selected determinant variables had positive association at 5% level of significance hence were included in the analysis. A strong +ve correlation was established between Customer focus and Technology Adoption, Total Involvement Service and Quality Innovation with correlation coefficients of 0.8443, 0.8117, 0.7612 respectively, there was also a positive relation between Customer focus and technology adoption (Correlation coefficient of 0.7671), Strategic supplier partnership Technology Adoption and Quality Innovation (Correlation coefficient of 0.7860) and lastly Quality Innovation and Total Involvement Service (Correlation coefficient of 0.7464).

4.7.2 Regression Analysis

Below is the outcome of regression analysis.

Table 4.7: Model Summary

Model	Q	Q Squared	Adjusted Q Squared	The Standard. Error of an Estimate
1	.403[a]	.162	.158	.42127
Predictors: (Constant), Customer focus, Technology Adoption, Total Involvement Service and Quality Innovation. *Dependent Variable:* Performance of commercial banks.				

Results in the summary table above indicate that the coefficient of R square equals 0.162, that represents the Customer focus, Adoption of technology, Total service Involvement and Quality Innovation, explain the variance in performance of commercial banks. Table 4.8 summarizes the ANOVA analysis.

Table 4.8: ANOVA Variance analysis

Model		Sum of the Squares	Df	Mean Square	F	Sig.
1	Regression	.369	3	.123	17.571	.000[a]
	Residual	.196	28	.007		
	Total	.565	31			
Predictors: (Constant), Customer focus, Technology Adoption, Total Involvement Service and Quality Innovation. *Dependent Variable*: Performance of commercial banks						

The F-statistic is the ratio of regression mean square (MSR) to the residual mean square (MSE). Now that the value of the F statistic is small (0.000 smaller than 0.05) then the variables of predators , Customer focus, the level of Technology Adoption, Total IS (Involvement Service) and Quality Innovation determine the variations in the dependent variable which is a measure of commercial banks' performance. As a result, the Hypothesis that all the population and the values for regression coefficients are automatically not 0 is accepted. In addition if the F statistic values were larger than 0.05 then the determinant variables would not have been suitable in explaining variations in variables, hence the null hypothesis would be accepted.

The regression output below provides the regression results, hence the coefficients and associated output:

Table 4.9: Associated output

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Standard. Error	Beta	t	Sig.
11	Constant	0.903	0.123		7.367	0.000
	Customer focus	0.056	0.028	0.158	2.021	0.045
	Technology Adoption	0.034	0.027	0.101	1.157	0.210
	Total Involvement Service	0.036	0.030	0.105	1.194	0.234
	Quality Innovation	0.047	0.028	0.147	1.686	0.093
a. Dependable Variable: Performance of the commercial banks						

From the above regression output table, the fitted multiple linear regression equation is modelled below;

$Y = 0.903+0.056\ CF+0.034TA+0.036TIS+0.04QI + \varepsilon$

The regression results in the table shows a positive relationship between how commercial banks performs and the determinant; Customer focus, Technology Adoption, Total Involvement Service and Quality Innovation. The findings shows that the change in one unit of Customer focus results into approximately 0.056 increase performance of commercial banks. The change in one unit of technology adoption leads to 0.034 increase in performance of commercial banks. The change in one unit of Total Involvement Service, leads to 0.036 unit increases in performance of telecommunication industry. Moreover, the change in one unit of Quality Innovation, results in 0.047 increases in the performance of commercial banks. The above statistics aid in determining the relative importance of each and every variable in the model.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter makes the summary of the findings on influence of total quality management on financial performance of commercial banks in Kenya. The chapter also provides conclusions, recommendations and suggestions for further research.

5.2 Summary

The analysis indicated that the respondents strongly agree that commercial bank in Kenya observes quality improvement at all levels. It was also noted that commercial banks in Kenya works towards improving every facet of the firm. The respondents also agreed that the bank produce goods at zero defects. Furthermore the respondents maintained a neutral stand that Banks were able to achieve 100% customer satisfaction as represented by a mean In addition the respondents agreed that commercial banks had created a quality team.

The findings in table 4.3 above, shows an agreement that commercials banks work towards producing quality goods and services. The inference was basically determined by the mean calculated in the SPSS analysis of 4.79. Its standard deviation calculation of 0.1097 shows an insignificant variance in the responses from the respondents. The summary of results indicate that respondents were in agreement that bank work on eliminating .This was established true by the mean calculated of 4.57. The standard deviation (0.2100) which was less than 0.5 indicated uniformity in the responses of most respondents. The research also noted that majority of the respondents agreed the Bank to reduce stock out costs. This inference was calculated from the mean using SPSS analysis of 4.33. The small standard deviation of 0.3248 indicated uniformity in the responses from the respondents. These findings shows that commercial banks in Kenya strive to portray a good image to its clientele as shown by a mean of 3.98 which implies that the respondents agreed to the statement. The calculated standard deviation of 0.1379 shows the homogeneity of the responses made.

5.3 Conclusions

The study concluded that Customer focus, Technology Adoption, Total Involvement Service and Quality Innovation are essential components in ensuring that commercial banksin Kenya attain improved results. It is also established that with a continued search for gains in productivity and, a supplier can experience a cut in production costs bust supply the same products to their customers. The reductions of cost may, or may not, be passed on to customers using lower prices. The innovation process is important in both the supply of the core product and in the support part of any offer.

The study also established that the rapid expansion and growth in Information technology Communication and has lead to remarkable changes in the twenty-first century, leading to perverse effects in the demands of modern societies. ICT is becoming increasingly crucial in our daily lives, our education, and society, and health, social and financial systems. Therefore, there is a growing demand on educational institutions to use ICT to teach the knowledge and skills people need for the 21st century. From this it was asserted that ICT plays a very major role in Total quality management in ensuring performance.

5.4 Limitations

The researcher would have used questionnaires with open ended questions to collect data. This is because close ended types of questions have the disadvantage of limiting the responses hence the respondent is made to answer questions as per the expectations of the researcher. To mitigate this limitation the researcher should ensure that the questions are well thought out and comprehensive enough to cover each and every important aspects of the study objectives.

Information relating to quality management is always treated with sensitivity since it provides a competitive advantage. This may lead to a lot of difficulties in convincing the respondents on the importance of giving sincere answers to the asked questions evidenced through reluctance of accepting invitation to participate in the study, to counter the challenge, the researcher had to provide a compressive explanation to the respondents the reason for the research study being carried out, that it was meant specifically for academic purpose only. There is a possibility that the researcher did not fully exhaust everything in this field due to unforeseen logistical issues leaving room for other researchers to expand on this study in future.

5.5 Recommendations

The study recommends that the public sector should create more awareness of departmental procedures on how TQM programs should be implemented. They should develop a clear policy on how quality management should be implemented by creating a platform to ensure that government ministries comply with the quality standards.

The findings revealed that some of the challenges faced by firms during implementation of TQM were lack of adequate finances and lack of sufficient training. The study therefore recommends that the commercial banks should invest in modern technologies for example ICT and adequate trainings in order to provide quality services to its clients.

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APPENDIX

Appendix I: Questionnaire

Dear respondent,

This questionnaire aims to collect information pertaining to the total quality management and Kenya's commercial bank financial performance. Therefore, information given is strictly meant for academic purpose and will highly be treated with confidence. Please indicate the appropriate answer by use of ticks in the provided box, where appropriate fill spaces with your response.

Section A. Personal Details

1. Name of the Bank………………………………………(Optional)
2. What your level of education?

   Masters [ ]

   Bachelor [ ]

   Postgraduate [ ]

   Diploma [ ]

   Certificate [ ]

   Others kindly specify……………………………………

3. Which category best describes your position in the bank?

   Top management staff [ ]

   Middle level management staff [ ]

   Subordinate staff [ ]

4. How many years long have you been working in the banking sector?

0-3 years [ ]

4-5 years [ ]

More than 5 years [ ]

5. Indicate the ownership of your bank

Locally owned [ ]

Foreign owned [ ]

Section B: Total quality management used by commercial banks in Kenya

6. Please indicate the extent to which you can agree with below statements on the Total quality management used by Kenyan commercial banks. The scale applicable will be: 1=very small extent, 2= small extent, 3= moderate extent, 4= Large extent, 5= to a very large extent

Key 1= Strongly Disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = Strongly Agree

Customer focus	1	2	3	4	5
The Bank work towards improving every facet of the firm.	1	2	3	4	5
The Bank produce goods at zero defects	1	2	3	4	5
The Bank is able to achieve 100% customer satisfaction.	1	2	3	4	5
The Bank observes quality improvement at all levels.	1	2	3	4	5
The Bank has create a quality team	1	2	3	4	5

Key 1= Strongly Disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = Strongly Agree

Technology Adoption	1	2	3	4	5
The Bank eliminate waste	1	2	3	4	5
The Bank reduce stock out costs	1	2	3	4	5
The Bank creates a positive image to customers and other stakeholders	1	2	3	4	
The Bank work towards producing goods and services of high quality	1	2	3	4	5

Total Involvement

7. To what extent do you agree or disagree with the following statements concerning Total Involvement in your commercial banks? (Where 1-Not at all, 2-Less extent, 3-Moderate Extent, 4 –Great extent and 5 -Very Great extent)

Statement	1	2	3	4	5
Involvement of Government during it fiscal policy formulation					
Improved credit information during loan application					
There is significant reduction of interest / Lending rates					
Increased training of loans officials					
There is Increased use of credit reference bureaus in the sector					
There is Information sharing among banks about borrowers					

Service Quality Innovation

8. To what extent does your bank adopt Service Quality Innovation?

Very great extent [ ]

Great extent [ ]

Moderate extent [ ]

Less extent [ ]

No extent [ ]

9. How does Service Quality Innovation affect profitability of commercial banks?

Do you agree with the following statements?

This bank screen prospective loan borrowers before offering them loans?

Strongly agree [ ]

Agree [ ]

Not sure [ ]

Disagree [ ]

Strongly disagree [ ]

Section C: Financial performance of Commercial Banks

10. Please provide your organization's Net Income after Tax in KES for the last three years by ticking appropriately

Year	2013	2014	2015
Less than Zero			
0-250 Million			
250-500 Million			
Above 500 Million			

11. Please provide the reduction in cost achieved by your organization (%) for the last three years by ticking appropriately

Year	2013	2014	2015
Less than Zero (%)			
0-5%			
5-10%			
Above 10%			

Thank you for your cooperation!